



Peter J. Tesei  
First Selectman

## TOWN OF **GREENWICH**

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September 21, 2012

Mr. Joseph Pellegrino  
Chair, BET Budget Committee  
5 Beechcroft Road  
Greenwich, CT 06830-3910

Re: Draft 13/14 Budget Guidelines Comments

Dear Joe,

I have heard from a number of department heads with regard to the draft budget guidelines memorandum that you recently circulated. These thoughts and observations have been interspersed with my own to give you the benefit of our collective experience and expertise. The most prevalent comment that I received, and I share, was disappointment. Not disappointment in the goals that you have presented but rather in the tone and the apparent lack of understanding of the legal and operational environment in which the Town operates. These draft guidelines, in addition to creating the wrong tone for doing business in our governmental structure, are also highly subjective and - I believe - without merit. The document also has many comments that are not supported by facts and are not helpful in meeting the primary goal of your committee, to provide budget guidance to the Town's appointing authorities.

The most notable of the comments that we take issue with is the BET's perception that there has been a lack of improvement in the productivity in town government and failure to make changes that the BET has proposed. I would first point out that the BET is responsible for the proper administration of the financial affairs of the Town and does not have any day to day role except with regard to the particular departments that are under its direct oversight. All other departments, per the Town's Charter, are the responsibility of specific appointing authorities who have this day to day operational obligation. While the BET can make, and as you point out often *does* make "suggestions", these comments are often outside your statutory authority. Nevertheless, a brief review of the many recommendations that the BET has proposed over the past ten years indicates that Town Appointing Authorities have agreed with the vast majority of suggestions that the BET has put forth. These have been incorporated into our budget submissions or daily operations not because they are edicts from the BET but because they work; they make sense and they make our government more efficient and transparent. I would also point out that the Office of the First Selectman has also taken

many actions over the years that have affected our Appointing Authorities. In many cases, my office does not have the authority to mandate these changes but they have been accepted because they are good business practices and they do not unduly infringe on the rights of any of the appointing authorities to carry out their responsibilities under the Town Charter.

As the members of the BET know, Government in Greenwich is based upon cooperation, communication, and again, more cooperation. No one body has all of the authority, and clearly no one body has all of the answers. The people who drafted our Town Charter wanted to divide governmental authority among many bodies and limit our local government. They succeeded! Obviously, such a governmental structure will not be as efficient or operate as smoothly as the modern business model. Nevertheless, we strive to work within the limitations imposed upon us by our Town Charter as well as State and Federal law and mandates to make our operations as efficient and economical as possible. Frankly, it has worked remarkably well.

During my tenure as First Selectman, it has been my pledge to provide essential funding for our community's public and life safety services, continue to support our excellent school system, maintain the Town's ongoing infrastructure maintenance and improvement program, protect the health and wellbeing of our most vulnerable residents and preserve our natural resources and recreational opportunities. The budgets that I have submitted have uniformly proposed that we maintain current services while adhering to the BET's mill rate policy of holding increases to between 2% and 4%. I believe the residents of Greenwich want and expect their government to maintain the value that has come to characterize life within Greenwich. Our residents appreciate and respect the services our municipal government and public school system provides. Achieving a balance between taxes and services is a goal that I annually strive to attain. As a Town, we have been successful in balancing these competing forces and it has resulted in our ability to provide outstanding services and to withstand the economic downturn. The draft Budget Guidelines letter indicates that the cost of providing Town services are "now being questioned by our citizens". Granted no one wants to pay higher taxes, but by the same token I have not heard an outcry for a lower level of services.

During the past four years, Town Departments and Appointing Authorities have taken a number of steps to control our costs and improve the efficiency of our operations. Since 2008, our work force (not including the Board of Education) has declined by 6.4%. Full time staff has gone from 822 to 769 (see Exhibit A). It is clear that with a reduction in full time staff of 53 positions, and without any significant change in our level of services, that our productivity has improved. It is not clear in your draft guidelines letter what measures are being used as the basis for the statement: "[There is] no indication of any corresponding improvements in productivity."

I think one measure of our efficiency has been the significant gains in our fund balance. Last year alone, the difference between revenues collected and actual expenses incurred resulted in a positive improvement to the Town's Fund Balance of over 12 million dollars. Our department heads and appointing authorities have worked very diligently to pare

costs and generate new revenue to support the Town during the economic crisis and these actions have been critical to our ability to present responsible budget proposals.

The Town has also undertaken many internal measures to cut costs and improve operations. Our Purchasing Department, for example, has aggressively worked to decrease our costs for the materials and utilities that we use including gasoline, diesel fuel, propane, fuel oil and electricity. These efforts have saved the Town well in excess of 1.0 million dollars and will continue to be a positive factor in our budget submissions in the years ahead. The Department of Public Works worked for two years to develop and institute Single Stream Recycling. This initiative not only met our environmental responsibilities as a good steward, but also enabled the Town to operate more economically. We have decreased the amount of garbage that is collected and disposed of at Holly Hill and we have increased the amount of material that we are able to recycle. This will result in cost avoidance and new revenue of over 1.5 million dollars annually.

The Town has also taken an increasingly aggressive role in addressing the high cost of healthcare. Every year our Human Resources Department evaluates our health plans to determine what actions we may take to lower costs while maintaining the coverage that we offer to our employees. Last year for instance, we asked for proposals from a number of companies that serve Connecticut and we elected to change our insurance carrier from Anthem to CIGNA. We selected CIGNA because they provided a very competitive price for healthcare but, more importantly, they agreed to guarantee this price for two years.

The Human Resources Department has also worked on a number of other initiatives to control health care costs. In conjunction with our Director of Labor Relations, they have worked to move much of the Town's staff from high cost PPO plans to lower cost high deductible health plans with Health Savings Accounts. These plans are designed to make the employee a better consumer of health care services and will lower premiums for both the Town and our employees. Ultimately, however the key to lower healthcare costs is lower claims. To that end we have also begun work on a wellness program that is designed to help our employee's lead healthier lifestyles. This comprehensive approach on healthcare costs and services is an ongoing initiative and is a priority of my administration.

In the BET's area of responsibility we have encouraged your board to take a proactive role to control Worker's Compensation costs and improve safety. We are all pleased with the actions that have occurred over the last six months to address this problem. I think the joint staff group that is monitoring and working on this issue will over time improve our cost control and upgrade safety within the Town.

As you know, the Parks and Recreation Department has been working for several years to upgrade our services with regard to trees owned by the Town. As a result of lengthy contract negotiations with the Teamsters, we were finally able to reach an agreement that permits the commencement of our "Trees at Risk Program".

I think the examples I have cited above speak very favorably to the hard work and cost savings that the Town appointing authorities, department heads and our employees have

undertaken during this difficult period. These are not isolated instances of efforts we have made to improve the productivity and the services that we provide, but I think they reflect our ongoing efforts to make Greenwich a better place in which to live and do business.

We therefore recommend that the tone of the budget guidelines letter and the statements included therein be modified to reflect the traditional partnership of governance that Greenwich requires.

We have prepared specific recommendations that are attached to this letter as Appendix B.

Sincerely,

A handwritten signature in dark ink, appearing to read "Peter J. Tesei". The signature is fluid and cursive, with the first name "Peter" and last name "Tesei" clearly distinguishable.

Peter J. Tesei  
First Selectman

cc: BET Budget Committee Members  
BET Members

## Exhibit A

Budgeted Totals							
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Total Change	Average Annual Change
Town Services	\$104,501,013	\$101,869,428	\$102,463,796	\$103,657,408	\$105,750,606	1.20%	0.30%
Schools	124,974,846	125,999,931	131,191,299	136,312,034	139,357,220	11.51%	2.88%
Tax Levy for Capital	34,163,000	28,000,000	* 29,000,000	32,000,000	34,000,000	-0.48%	-0.12%
Fixed Charges	71,436,027	74,822,647	78,172,703	86,178,110	88,604,487	24.03%	6.01%
Total	\$335,074,886	\$330,692,006	\$340,827,798	\$358,147,552	\$367,712,313	9.74%	2.44%

Budgeted Fixed Charges							
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Total Change	Average Annual Change
Pension Contribution	\$6,620,000	\$7,162,000	\$10,740,033	\$14,488,000	\$16,400,000	147.73%	36.93%
Defined Contribution	250,000	500,000	500,000	500,000	610,000	144.00%	36.00%
Healthcare	37,115,000	38,553,000	41,479,521	44,570,500	42,362,000	14.14%	3.53%
All Other Fixed Costs	27,451,027	28,607,647	28,453,149	26,619,610	29,232,487	6.49%	1.62%
Total	\$71,436,027	\$74,822,647	\$81,172,703	\$86,178,110	\$88,604,487	24.03%	6.01%

Budgeted 100 Costs with Town and School FT/FTE Totals							
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Total Change
Town Regular Full Time	822.00	816.00	780.00	777.00	769.00	769.00	-6.45%
Town Full Time Equivelents			149.76	152.94	152.70	153.00	2.16%
School Regular Full Time	1,319.00	1,335.00	1,310.30	1,324.10	1,336.90	1,340.00	1.59%
School Full Time Equivelents			29.14	39.41	39.41	39.41	35.24%

\* \$3,000,000 of this total had been placed in the contingency account (Fixed Charges) to provide additional budgetary flexibility at that time

# Appendix B

Regarding Page 2 of the Draft BET Budget Guidelines:

## A. Labor:

“[T]his is simply too high a rate of increase given current market conditions ***and no indication of any corresponding improvements in productivity.*** We recommend that the words in italics and bold be removed.

## B. Pension Contributions:

This subject is somewhat like closing the barn door after the horses are loose. As you know, during the past eight years the Town has negotiated with our labor unions to close the Defined Benefit Plan to new employees and move them to a Defined Contribution Plan. With the exception of our public safety employees we have been successful in that effort.

This change will have a significant improvement with regard to our future Town contributions. However, the reality is that the Town Charter has burdened us with large pension obligations that cannot be ignored or reversed in the near term. While we agree that the pension contributions over the last few years have been extreme, none of the choices you list in your draft guidelines letter will have any effect on the 2013/14 budget year or even in the foreseeable future.

These obligations are subject to negotiation under Connecticut’s Municipal Employee Relations Act. As such, any change in terms and conditions of employment will need to be negotiated. As you also know, in the State of Connecticut, if an agreement cannot be reached the issue goes to binding arbitration. We do not have the right to take the unilateral actions you propose and if we go through the collective bargaining process and are not successful, we must bring the issue to binding arbitration.

In today’s governmental world and especially in the State of Connecticut, it is difficult to move rapidly on actions that many people would agree should be done. In our zeal to assure that all interested parties are able to participate and have a say in governmental affairs, we have given up our ability to act rapidly.

## C. Healthcare

The Town’s current medical healthcare benefits are classified as “Cadillac Plans”. The term Cadillac Plans was used during debate on the Affordable Health Care Act ***and refers solely to the cost of the plan and not the coverage included therein.*** Unfortunately, many of the healthcare plans in the Northeast are lumped into this group due to the high costs of service in our region. We agree that under the existing health care plan, the annual cost to Greenwich will be high and our present estimate is that we

are facing a \$10 to 15 million dollar annual Federal excise tax commencing in 2018. We agree this is unsustainable and we have been and are making this issue a major subject of negotiations with all of our labor groups. Again, we are not the masters of our fate on this cost and will need to work within the system designed under Connecticut's Municipal Employee Relations Act to obtain the needed relief.

Regarding Page 3 of the Draft BET Budget Guidelines:

#### E. Information Technology

We agree that changes in information technology are constant and fast paced. We agree that our present IT staff needs to be strengthened so that they can react to the day to day needs of our departments. We were disappointed last year when the BET turned down our request for an additional person to assist in this fashion. We point out that IT is performed by many different groups and appointing authorities in the Town. Given our governmental structure, it is not surprising that the services performed across the Town will follow the organization established in the Town Charter of dividing authority between many different groups and bodies. We recognize that some of our inefficiencies are self-imposed. We also look forward to the IT Strategic study that commenced this month and the recommendations that will be forthcoming.

#### Twelve Years of Budget Guidelines

We object to the statement that "numerous requests, suggestions, and instruction by the BET have been repeated year in and year-out to no effect." I can attest that the Town appointing authorities cooperate and assist one another, including the BET, in most respects. If the BET feels that such cooperation is lacking, specificity is required to address this issue.

It should be understood that the Town Charter creates a level of separation of powers that needs to be respected.

#### Concluding Comments

The Budget Guidelines letter is an important document for providing guidance to the appointing authorities and the public on how the BET plans to manage the financial affairs of the Town. If the letter is to continue to be a useful exercise, we think opinion needs to be tempered with fact and a better understanding of the environment in which we work. The Budget Guidelines letter is but the first step in our annual exercise of putting together a budget that meets the needs of our citizens. We would like that first step to be in a positive direction. Thank you for the opportunity to comment on the draft document that is now under consideration.